

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Hiawatha	County Schoolcraft
Fiscal Year End March 31, 2008	Opinion Date May 7, 2008	Date Audit Report Submitted to State May 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 7, 2008

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Hiawatha, Schoolcraft County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hiawatha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hiawatha, Schoolcraft County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Hiawatha covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$676,494.77 for governmental activities.

Overall revenues were \$257,943.99. Governmental activities had a \$69,945.89 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Community Center Fund, the Fire Equipment Fund and the Cemetery Fund.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	331 236
Capital Assets	<u>432 238</u>
Total Assets	<u>763 474</u>
Current Liabilities	-
Non-current Liabilities	<u>86 979</u>
Total Liabilities	<u>86 979</u>
Net Assets:	
Invested in Capital Assets	432 239
Unrestricted	<u>244 256</u>
Total Net Assets	<u><u>676 495</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:	
Fees and Charges for Services	13 948
Operating Grants and Contributions	36 299
General Revenues:	
Other Taxes	85 445
State Revenue Sharing	94 327
Interest	17 452
Miscellaneous	<u>10 473</u>
Total Revenues	<u>257 944</u>
Program Expenses:	
Legislative	3 000
General Government	146 947
Public Safety	33 695
Public Works	<u>4 356</u>
Total Expenses	<u>187 998</u>
Increase in Net Assets	69 946
Net Assets, April 1	<u>606 549</u>
Net Assets, March 31	<u><u>676 495</u></u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund the Community Center Fund, the Fire Equipment Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services, which totaled \$219,073.74 for the year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$19,141.46 in capital assets this year.

The Township 's governmental activities paid \$60,000.00 in principal on long-term debt this year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at P.O. Box 503, Manistique, Michigan, 49854.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>331 235 49</u>
Total Current Assets	<u>331 235 49</u>
NON-CURRENT ASSETS:	
Capital Assets	543 085 05
Less: Accumulated Depreciation	<u>(110 846 62)</u>
Total Non-current Assets	<u>432 238 43</u>
TOTAL ASSETS	<u><u>763 473 92</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
Noncurrent Liabilities:	
Contract payable	<u>86 979 15</u>
Total Non-current liabilities	<u>86 979 15</u>
Total Liabilities	<u>86 979 15</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	432 238 43
Unrestricted	<u>244 256 34</u>
Total Net Assets	<u>676 494 77</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>763 473 92</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		<u>Program Revenue</u>		<u>Governmental Activities</u>
				<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	<u>Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	3 000 00	-	-	(3 000 00)
General government	146 946 61	13 947 50	-	(132 999 11)
Public safety	33 695 59	-	36 299 00	2 603 41
Public works	<u>4 355 90</u>	<u>-</u>	<u>-</u>	<u>(4 355 90)</u>
Total Governmental Activities	<u>187 998 10</u>	<u>13 947 50</u>	<u>36 299 00</u>	<u>(137 751 60)</u>
General Revenues:				
Other taxes				85 444 58
State revenue sharing				94 326 89
Interest				17 452 18
Miscellaneous				<u>10 473 84</u>
Total General Revenues				<u>207 697 49</u>
Change in net assets				69 945 89
Net assets, beginning of year				<u>606 548 88</u>
Net Assets, End of Year				<u><u>676 494 77</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	284 490 95	46 399 12	330 890 07
Due from other funds	<u>345 42</u>	<u>-</u>	<u>345 42</u>
Total Assets	<u>284 836 37</u>	<u>46 399 12</u>	<u>331 235 49</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>284 836 37</u>	<u>46 399 12</u>	<u>331 235 49</u>
Total fund equity	<u>284 836 37</u>	<u>46 399 12</u>	<u>331 235 49</u>
Total Liabilities and Fund Equity	<u>284 836 37</u>	<u>46 399 12</u>	<u>331 235 49</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	331 235 49
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	543 085 05
Accumulated depreciation	(110 846 62)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(86 979 15)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>676 494 77</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Other taxes	85 444 58	-	85 444 58
State revenue sharing	94 326 89	-	94 326 89
Federal grant	36 299 00	-	36 299 00
Charges for services	3 787 50	10 160 00	13 947 50
Interest	15 882 07	1 570 11	17 452 18
Miscellaneous	10 083 65	390 19	10 473 84
Total revenues	<u>245 823 69</u>	<u>12 120 30</u>	<u>257 943 99</u>
Expenditures:			
Legislative:			
Township Board	3 000 00	-	3 000 00
General government:			
Supervisor	5 788 06	-	5 788 06
Elections	2 192 00	-	2 192 00
Clerk	6 060 00	-	6 060 00
Assessor	13 871 98	-	13 871 98
Board of Review	1 643 00	-	1 643 00
Treasurer	7 560 00	-	7 560 00
Building and grounds	5 542 85	27 168 68	32 711 53
Cemetery	-	2 225 97	2 225 97
Unallocated	72 841 01	-	72 841 01
Public safety:			
Fire protection	17 077 48	-	17 077 48
Public works:			
Street lighting	4 355 90	-	4 355 90
Capital outlay	19 141 46	-	19 141 46
Debt service	60 000 00	-	60 000 00
Total expenditures	<u>219 073 74</u>	<u>29 394 65</u>	<u>248 468 39</u>
Excess (deficiency) of revenues over expenditures	<u>26 749 95</u>	<u>(17 274 35)</u>	<u>9 475 60</u>
Other financing sources (uses):			
Operating transfers in	-	25 500 00	25 500 00
Operating transfers out	(25 500 00)	-	(25 500 00)
Total other financing sources (uses)	<u>(25 500 00)</u>	<u>25 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1 249 95	8 225 65	9 475 60
Fund balances, April 1	<u>283 586 42</u>	<u>38 173 47</u>	<u>321 759 89</u>
Fund Balances, March 31	<u>284 836 37</u>	<u>46 399 12</u>	<u>331 235 49</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 9 475 60

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(18 671 17)
Capital Outlay	19 141 46

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>60 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>69 945 89</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hiawatha, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hiawatha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 0.0 mills, and the taxable value was \$53,530,532.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	10-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>331 235 49</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	231 499 47
Uninsured and Uncollateralized	<u>197 603 45</u>
Total Deposits	<u>429 102 92</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	9 000 00	-	-	9 000 00
Buildings	102 653 00	-	-	102 653 00
Equipment	<u>412 290 59</u>	<u>19 141 46</u>	<u>-</u>	<u>431 432 05</u>
Total	523 943 59	19 141 46	-	543 085 05
Accumulated Depreciation	<u>(92 175 45)</u>	<u>(18 671 17)</u>	<u>-</u>	<u>(110 846 62)</u>
Net Capital Assets	<u>431 768 14</u>	<u>470 29</u>	<u>-</u>	<u>432 238 43</u>

Note 5 – Pension Plan

The Township has a retirement plan that covers all full-time employees of the Township. Under the plan, the Township contributes amounts based on the employees' earnings. The Township's retirement contributions amounted to \$3,812.32 for the year ended March 31, 2008.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 8 – Building Permits

The Township of Hiawatha does not issue building permits. Building permits are issued by the County of Schoolcraft.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	345 42	Current Tax Collection	345 42
Total	<u>345 42</u>	Total	<u>345 42</u>

Note 10 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
Contact payable	146 979 15	-	60 000 00	86 979 15
Totals	<u>146 979 15</u>	<u>-</u>	<u>60 000 00</u>	<u>86 979 15</u>

Note 11 – Contact Payable

The contract payable represents amounts due to the Schoolcraft Country Road Commission. At March 31, 2008, the outstanding principal balance was \$86,979.15.

Note 12 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2008, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Community Center	18 500 00		
Fire Equipment	7 000 00	General	25 500 00
Total	<u>25 500 00</u>	Total	<u>25 500 00</u>

Note 13 – Budget Variances

For the fiscal year ended March 31, 2008, the Township incurred expenditures in excess of the amounts budgeted as follows:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund:			
Unallocated	57 894 35	72 841 01	14 946 66
Capital outlay	-	19 141 46	19 141 46

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Other taxes	86 934 00	86 934 00	85 444 58	(1 489 42)
State revenue sharing	89 900 00	89 900 00	94 326 89	4 426 89
Federal grant	-	-	36 299 00	36 299 00
Charges for services	3 800 00	3 800 00	3 787 50	(12 50)
Interest	6 200 00	6 200 00	15 882 07	9 682 07
Miscellaneous	-	-	10 083 65	10 083 65
Total revenues	186 834 00	186 834 00	245 823 69	58 989 69
Expenditures:				
Legislative:				
Township Board	3 000 00	3 000 00	3 000 00	-
General government:				
Supervisor	6 060 00	6 060 00	5 788 06	(271 94)
Elections	1 500 00	2 192 00	2 192 00	-
Clerk	6 060 00	6 060 00	6 060 00	-
Assessor	15 000 00	15 000 00	13 871 98	(1 128 02)
Board of Review	1 600 00	1 643 00	1 643 00	-
Treasurer	7 560 00	7 560 00	7 560 00	-
Building and grounds	6 200 00	6 554 00	5 542 85	(1 011 15)
Unallocated	57 510 00	57 894 35	72 841 01	14 946 66
Public safety:				
Fire protection	18 700 00	18 700 00	17 077 48	(1 622 52)
Public works:				
Street lighting	4 000 00	4 355 90	4 355 90	-
Capital outlay	-	-	19 141 46	19 141 46
Debt service	60 000 00	60 000 00	60 000 00	-
Total expenditures	187 190 00	189 019 25	219 073 74	30 054 49
Excess (deficiency) of revenues over expenditures	(356 00)	(2 185 25)	26 749 95	28 935 20
Other financing sources (uses):				
Operating transfers out	(66 000 00)	(45 597 68)	(25 500 00)	20 097 68
Total other financing sources (uses)	(66 000 00)	(45 597 68)	(25 500 00)	20 097 68
Excess (deficiency) of revenues and other sources over expenditures and other uses	(66 356 00)	(47 782 93)	1 249 95	49 032 88
Fund balance, April 1	66 356 00	66 356 00	283 586 42	217 230 42
Fund Balance, March 31	-	18 573 07	284 836 37	266 263 30

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS
March 31, 2008

	<u>Community Center</u>	<u>Fire Equipment</u>	<u>Cemetery</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	<u>979 06</u>	<u>13 920 59</u>	<u>31 499 47</u>	<u>46 399 12</u>
Total Assets	<u>979 06</u>	<u>13 920 59</u>	<u>31 499 47</u>	<u>46 399 12</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>979 06</u>	<u>13 920 59</u>	<u>31 499 47</u>	<u>46 399 12</u>
Total Liabilities and Fund Balances	<u>979 06</u>	<u>13 920 59</u>	<u>31 499 47</u>	<u>46 399 12</u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2008

	<u>Community Center</u>	<u>Fire Equipment</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:				
Charges for services	8 110 00	-	2 050 00	10 160 00
Interest	18 75	646 61	904 75	1 570 11
Miscellaneous	<u>390 19</u>	<u>-</u>	<u>-</u>	<u>390 19</u>
Total revenues	<u>8 518 94</u>	<u>646 61</u>	<u>2 954 75</u>	<u>12 120 30</u>
Expenditures:				
Building and grounds:				
Contracted services	1 471 46	-	-	1 471 46
Repairs and maintenance	5 254 80	-	-	5 254 80
Utilities	20 242 42	-	-	20 242 42
Miscellaneous	200 00	-	-	200 00
Cemetery:				
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>2 225 97</u>	<u>2 225 97</u>
Total expenditures	<u>27 168 68</u>	<u>-</u>	<u>2 225 97</u>	<u>29 394 65</u>
Excess (deficiency) of revenues over expenditures	<u>(18 649 74)</u>	<u>646 61</u>	<u>728 78</u>	<u>(17 274 35)</u>
Other financing sources (uses):				
Operating transfers in	<u>18 500 00</u>	<u>7 000 00</u>	<u>-</u>	<u>25 500 00</u>
Total other financing sources (uses)	<u>18 500 00</u>	<u>7 000 00</u>	<u>-</u>	<u>25 500 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(149 74)	7 646 61	728 78	8 225 65
Fund balances, April 1	<u>1 128 80</u>	<u>6 273 98</u>	<u>30 770 69</u>	<u>38 173 47</u>
Fund Balances, March 31	<u><u>979 06</u></u>	<u><u>13 920 59</u></u>	<u><u>31 499 47</u></u>	<u><u>46 399 12</u></u>

TOWNSHIP OF HIAWATHA
Schoolcraft County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in bank	<u>1 580 17</u>	<u>1 406 561 47</u>	<u>1 407 796 22</u>	<u>345 42</u>
Total Assets	<u>1 580 17</u>	<u>1 406 561 47</u>	<u>1 407 796 22</u>	<u>345 42</u>
<u>Liabilities</u>				
Due to other funds	<u>1 580 17</u>	<u>6 494 06</u>	<u>7 728 81</u>	<u>345 42</u>
Due to other units	<u>-</u>	<u>1 400 067 41</u>	<u>1 400 067 41</u>	<u>-</u>
Total Liabilities	<u>1 580 17</u>	<u>1 406 561 47</u>	<u>1 407 796 22</u>	<u>345 42</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 7, 2008

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Hiawatha for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hiawatha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

To the Township Board
Township of Hiawatha
Schoolcraft County, Michigan

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

BUDGET VARIANCES

For the fiscal year ended March 31, 2008, the Township incurred expenditures in excess of the amounts budgeted for those activities.

We recommend that the Township Board amend the budget as necessary to comply with State law.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants